



# FACT SHEET

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## ***U.S.-Korea Free Trade Agreement*** **What's At Stake for Non-Citrus Fruits?**

September 2008

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The U.S.-Korea Free Trade Agreement (KORUS FTA) will provide America's farmers, ranchers, food processors, and the businesses they support with improved access to the Republic of Korea's 49 million consumers. If approved by Congress, the KORUS FTA would be the most economically significant trade agreement for the U.S. agricultural sector in 15 years.

Under this agreement, more than 60 percent of U.S. agricultural exports will become duty free immediately. Lower tariffs benefit both U.S. suppliers and Korea's consumers. The KORUS FTA will help the United States compete against Korea's other major agriculture suppliers and help keep the United States on a level playing field with Korea's current free trade partners, such as Chile, and any future FTA partners.

### **Fresh Cherries**

#### *With the Agreement...*

Fresh cherries will enter duty free upon entry-into-force of the agreement.

#### *The Trade Situation...*

Korea is the fourth largest market for U.S. fresh cherries, and shipments have steadily risen in recent years. From 2005 through 2007, U.S. suppliers exported an annual average of 2,240 tons of fresh cherries valued at \$14.8 million. The United States dominates Korea's growing import market with an average market share of 94 percent.

#### *The Current Market Access Situation...*

U.S. fresh cherries face a tariff of 24 percent in Korea.

### **Fresh Table Grapes**

#### *With the Agreement...*

U.S. table grape exporters will benefit from greatly improved access to the growing Korean import market for this product. Front-loaded tariff elimination for Korea's domestic off season is expected to benefit an estimated 70 percent of U.S. grape exports. The tariff on grapes imported October 16 - April 30 will be 24 percent, down from 45 percent, on the date of the implementation of the agreement, and will be reduced to zero in four equal annual installments. The in-season (May 1-October 15) tariff, covering an estimated 30 percent of U.S. fresh table grape exports, will be phased out over 17 years.

*The Trade Situation...*

From 2005 through 2007, U.S. suppliers shipped an annual average of 2,922 tons of fresh table grapes valued at \$5.4 million. Sales have increased steadily over the past several years and the United States is the second largest supplier with a 15-percent market share. Even though Chile currently accounts for 85 percent of Korean grape imports, Chile's exports are counter-seasonal to, and therefore have limited impact on, U.S. grape exports to Korea.

*The Current Market Access Situation...*

U.S. fresh grapes currently face a tariff of 45 percent in Korea.

**Raisins and Dried Plums**

*With the Agreement...*

Raisins will enter duty free upon entry-into-force of the agreement, while the tariff on dried plum imports will be phased out over 2 years.

*The Trade Situation...*

Korea is the ninth largest market for U.S. raisins, and shipments have steadily risen in recent years. From 2005 through 2007, U.S. suppliers shipped an annual average 3,367 tons of raisins valued at \$5.1 million. The U.S. share of Korea's raisin import market averaged 93 percent by volume from 2005-2007 and has remained steady over the last several years. There is some limited competition from Turkey.

From 2005 through 2007, U.S. suppliers shipped an annual average of 601 tons of dried plums valued at \$1.6 million. The United States is the dominant supplier with a market share of 98 percent by volume which has remained steady.

*The Current Market Access Situation...*

U.S. raisins face a 21-percent tariff and U.S. dried plums face an 18-percent tariff.

**Grape Juice**

*With the Agreement...*

Grape juice will enter duty free upon entry-into-force of the agreement.

*The Trade Situation...*

Korea is the third largest market for U.S. grape juice, but sales have been bouncing around in recent years. From 2005 through 2007, U.S. suppliers shipped an annual average of 5 million liters of grape juice valued at \$6.7 million. Currently, U.S. share of Korea's grape juice import market is 38 percent, but that share has slipped as competition increases. Chile and Argentina have rapidly increased their presence in the market, and the European Union (Spain and Italy) is still competitive.

*The Current Market Access Situation...*

U.S. grape juice faces a 45-percent tariff.

**Avocados**

*With the Agreement...*

Korea's 30-percent tariff on avocados will be phased out over 2 years.

*The Trade Situation...*

Korea is the fourth largest market for U.S. avocados. From 2005 through 2007, U.S. suppliers shipped an annual average 287 tons of fresh or dried avocados valued at \$1.1 million. Mexico is the leading supplier, and New Zealand also exports avocados there.

*The Current Market Access Situation...*

U.S. avocados face a 30-percent tariff.

**Canned Cherries**

*With the Agreement...*

Korea's 45-percent tariff on canned cherries will be phased out over 10 years.

*The Trade Situation...*

Korea is the fifth largest market for U.S. canned cherries. From 2005 through 2007, U.S. suppliers shipped an annual average of 1,080 tons of canned cherries valued at \$2.9 million. The U.S. share of Korea's canned cherry import market is 71 percent, but competitive pressure from China and to a lesser extent the European Union remains.

*The Current Market Access Situation...*

U.S. canned cherries face a tariff of 45 percent

**Fresh Apples and Pears**

*With the Agreement...*

Korea's current import tariff of 45 percent on U.S. apples, other than the Fuji variety, will be reduced to zero in 10 equal annual reductions. The import tariff on Fuji apples will be phased out in 20 equal annual reductions. The KORUS FTA also establishes a 9,000-ton safeguard that increases to 12,000 tons in year 5, and thereafter grows 3 percent compounded annually through year 22. The safeguard ends for apples other than Fuji in year 11. For Fuji apples, the safeguard ends in year 23.

Korea's import tariff on pears, other than the Asian variety, will be phased out over 10 years, and the tariff for Asian pears will be phased out over 20 years.

Apples and pears were excluded from the FTA that Korea recently concluded with Chile.

*The Trade Situation...*

With the lack of a current pest risk assessment, Korea presently prohibits the importation of any U.S. fresh apples or pears. Korea imports only very small quantities of apples and pears from foreign suppliers. During non-FTA sanitary/phytosanitary discussions, Korea did agree to proceed on the long-standing U.S. pest risk assessment request.

*The Current Market Access Situation...*

U.S. apples and pears are currently subject to tariffs of 45 percent.

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